

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 295 - SB 351

February 2, 2023

SUMMARY OF BILL: Creates a business tax deduction of five percent for businesses that are a part of the hospitality and traveling accommodation industry that install an electric vehicle charger. Creates a four percent deduction for retail businesses that install an electric vehicle charger.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$1,360,800/FY23-24 and Subsequent Years

Decrease Local Revenue – \$1,309,000/FY23-24 and Subsequent Years

Assumptions:

- The Department of Revenue (DOR) will determine if a business is eligible to receive a deduction through voluntary reporting of installed chargers by businesses, a list of superchargers provided by an electric vehicle manufacturer, and by utilizing an employee of the Special Investigations Section of the DOR to conduct investigations.
- According to Fiscal Review staff estimates, FY23-24 state business tax collections are estimated to be \$336,000,000.
- According to DOR, local business collections were \$281,815,404 in FY21-22.
- According to Fiscal Review Committee staff estimates, growth rates for the business tax are estimated to be 9.23 percent in FY22-23, and 5.0 percent in FY23-24.
- For the purposes of this analysis, local business tax collections are estimated to be \$323,218,314 ($\$281,815,404 \times 1.0923 \times 1.05$) in FY23-24.
- Based on information from the DOR, it is reasonably estimated that 30 percent of collections raised through the business tax are from businesses in the retail industry and 30 percent are from businesses in the hospitality and traveling accommodation industry.
- State business tax collections raised by businesses in the retail industry are estimated to be \$100,800,000 ($\$336,000,000 \times 30\%$) in FY23-24. The collections amount is the same for businesses in the hospitality and traveling accommodation industry.
- Local business tax collections raised by businesses in the retail industry are estimated to be \$96,965,494 ($\$323,218,314 \times 30\%$) in FY23-24. The collections amount is the same for businesses in the hospitality and traveling accommodation industry.
- Assuming 15 percent of eligible businesses install an electric vehicle charger as a result of the proposed legislation, the state business tax collections from compliant businesses in the retail industry are estimated to be \$15,120,000 ($\$100,800,000 \times 15\%$) in FY23-24.

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Local business tax collections from compliant businesses in the retail industry are estimated to be \$14,544,824 ($\$96,965,494 \times 15\%$) in FY23-24. The state and local business tax collections amounts are the same for compliant businesses in the hospitality and traveling accommodation industry.

- The proposed legislation creates a tax deduction of four percent for retail businesses and of five percent for businesses that are a part of the hospitality and traveling accommodation industry.
- The decrease in state revenue to the General Fund is estimated to be \$1,360,800 [$(\$15,120,000 \times 4\%) + (\$15,120,000 \times 5\%)$] in FY23-24 and subsequent years.
- The decrease in local revenue is estimated to be \$1,309,034 [$(\$14,544,824 \times 4\%) + (\$14,544,824 \times 5\%)$] in FY23-24 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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